

# CONSTRUCTION BLUES:

## On and Off the Wasatch Front

*The number of permits for new dwelling units was down statewide 52.3 percent in the first six months of 2008.*

As the national housing market continues to implode, and Utah's construction industry hemorrhages jobs from month to month, the obvious question that springs to the mind of Utahns who live off the Wasatch Front has to be: what are the implications for our own local construction industry? Unfortunately, the data available doesn't paint the clearest of pictures, but the outlines of what we do see provide some indication of what the future may hold.

### Permit(ted) Data

One way to ascertain the future direction of the local construction industry is to examine the construction permits that have been issued. While this is not an exact indicator—you don't actually

have to use your permit—it does allow us to gauge the general mood of the market going forward. By that measure, permit data from the first half of 2008 would appear to place the mood of potential builders in the state between glum and despondent. For example, the number of permits for new dwelling units was down statewide a wrenching 52.3 percent in the first six months of 2008 compared to last year. While the counties off the Wasatch Front did somewhat better, posting only a 49.6 percent decline, that doesn't provide much of a sense of relief.

Nevertheless, the pain was not spread out evenly throughout the non-Wasatch Front region. Southwestern counties—Beaver, Garfield, Iron, Kane,

and Washington—were especially hard hit, posting strong declines in nearly every permit category. The number of dwelling unit permits in the southwest fell roughly 65 percent in the first six months of 2008. Thankfully other areas registered more moderate declines. For example, in the Uintah Basin dwelling unit permits declined by only 13 percent in the same period.

Interestingly enough, Wasatch Front counties actually outperformed the non-Wasatch Front counties when it came to the percentage change in total construction valuation. While the state as a whole saw a 35.2 percent decline in the first six months, off-the-Wasatch-Front counties posted a 41.2 percent decline to the Wasatch

Front counties' 33.1 percent decline. So why the difference? It turns out that the total construction valuation of permits for the Wasatch Front counties was cushioned by fairly strong nonresidential construction permits—well, strong in the sense they didn't show a decline—whereas the rest of the state showed sizeable pullbacks in this important area of construction.

### From Permit to Hammer and Nail: Construction Employment Data

If permit data gives us some idea of the future direction of the market, employment data gives us some indication of how things have been going in the last months and years. From the most recent quarter of data

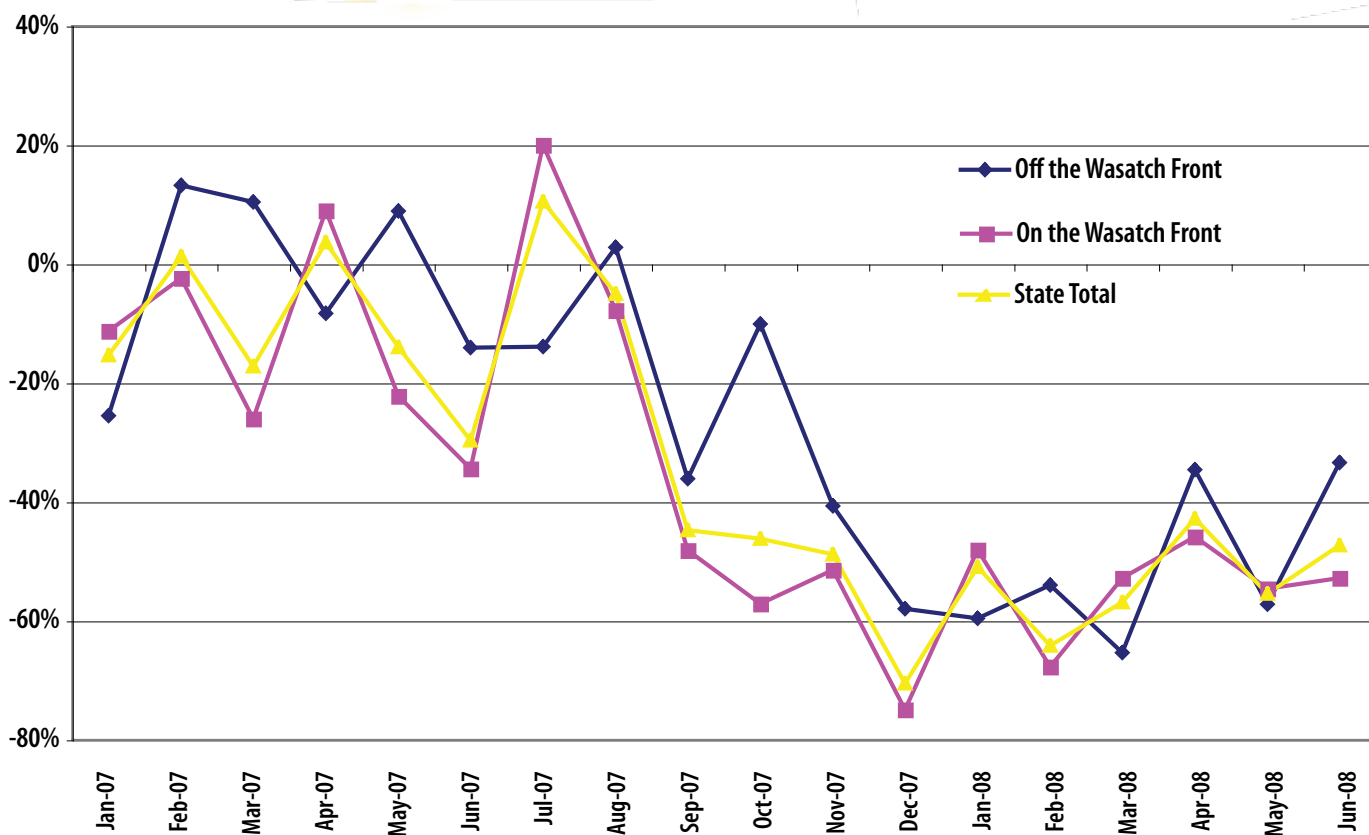
available, first quarter 2008, we can just start to make out the beginnings of a concerted contraction in construction employment statewide. Compared with the same quarter last year, construction jobs statewide fell 6.8 percent, or a loss of nearly 6,700 positions. Thankfully, the counties off the Wasatch Front haven't given up quite that much construction employment. Overall, they have seen a 2.8 percent decline—roughly a 530-job decline. However, nearly that entire 530-job decline is confined to the southwestern counties (part of the reason for this concentration in the southwest is that its construction cycle turned much earlier than the rest of the state.) In fact, of the 20 counties that make up the off-the-Wasatch-Front area, only seven posted year-over

declines in the first quarter of 2008, and four of those are in the southwest.

### The Big Picture?

Going forward, the off-the-Wasatch-Front counties will likely continue to see slowing in their local construction industries. This view is reinforced by the current trends in permit data, which show strong declines in both residential and nonresidential construction activity throughout most of the area. Until the overall economic conditions improve and the financial system stabilizes, expect investment in construction projects throughout the region—and the state—to be generally tepid. ●

## YEAR-OVER CHANGE IN NEW DWELLING UNIT PERMITS



Source: Author's calculations of data from the Bureau of Economic and Business Research, University of Utah.